



“A New Silicon Valley”

by

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to the

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Check against delivery

Thanks Pam. And thank you all for joining me here today.

I've had a great time in Calgary this week, visiting clients and spending time with my wonderful colleagues in the city.

Last week I travelled with our board to New York. And the tone from investors and clients that I took back home was generally very upbeat.

True, there's some uncertainty. The U.S. trade dispute with China continues to loom large, and the appalling revelations emerging from Istanbul could have a significant impact on strategic political alliances.

But overall, the message that we heard was clear: there's strong global growth and growing confidence in North America.

And this will mean more demand for Canadian goods and resources, and for our energy industry here in Alberta.

Canada has shown the world what we can do in recent weeks. LNG Canada and the USMCA agreement were two significant indications of our ability to get deals over the line.

And both of these examples showed our power when we work together – business, governments, labour representatives, and communities.

But despite these wins, those investors that I spoke to remained somewhat skeptical about Canada and our ability to execute on resource development.

I don't agree with them. I believe that Canada has the vision, the will and the smarts to continue to build a more environmentally and economically sustainable energy sector that's ready for the 2030s and beyond.

And that's the message I want to share with you today.

Now is a critical time for Canada and for Alberta. A moment when a huge opportunity for our energy industry is coinciding with a data-driven revolution.

But I'm also bringing the message that, in order for us to capitalize on this opportunity, our energy sector needs support.

This is a topic that I'm passionate about.

Our country is more divided than it should be, between provinces and between regions, and we won't reach our goals if we don't work together.

Two years ago, I addressed this topic in a speech in Edmonton that called for a new energy conversation in our country.

And since then, I've been continuing to have that conversation with our clients. We've been active across the country, including holding a series of roundtables with Doug Suttles from Encana.

We're also trying to help the federal government ensure that its policies on climate and the economy ensure that we serve the greater goal that I'm sure we all share: for a more prosperous and more sustainable Canada for our children and grandchildren.

We're working with the United Nations, as well as with Mark Carney – a great Albertan – on how we can finance the energy sector of tomorrow, to meet the world's needs of tomorrow.

I spoke about this recently on CNBC while I was in New York.

And I've have taken this message to Davos and other international forums. And the message is quite simple: the world needs more Canadian energy.

Today, I want to share what we're hearing from the industry, from government and from communities as well as share some of our latest research.

We see a massive opportunity for Alberta and for Calgary.

But we believe that to realize that opportunity, we need to focus and take action on four areas:

First, we need **smarter regulations**, fit for the 21st century;

Second, we require a **pragmatic approach to taxes**, to ensure Canadian business maintains its competitive position;

We require **better market access**;

And finally, we need to take more purposeful action on **technology**, to harness our country's advanced technologies, including A.I.

Canada's Fourth Industrial Revolution

Let me start with some observations on the way the world is evolving, especially in terms of technology.

As many of our clients across many sectors tell us, data is the new oil. That's a phrase I've heard so often it's become a cliché.

In some senses it's true. Data is worthless unless it's been refined. In order to create value, you have to turn data into knowledge and then into insights.

As many of you know, one of Canada's centres for understanding and harnessing big data is here in Alberta, at the Alberta Machine Intelligence Institute in Edmonton.

RBC has set up one of our A.I. labs in Edmonton, as we participate in and support the Canadian innovation ecosystem which we believe is core to our country's prosperity. And it's a critical tool for competitiveness in nearly every sector.

The latest advancements in A.I. and big data are poised to shape the next hundred years of our planet. The World Economic Forum estimates that this digital transformation will create value for society and industry worth \$100 trillion by the middle of the 2020s.

Machine learning research centres in Edmonton, Toronto, and Montreal have attracted international attention and investment.

And our country's ability to extract and refine that raw material – data – is driving industries to search for new areas of growth, and vastly improving the customer experience.

Here in Alberta, A.I is being used by many in the energy sector, as well as in education and other businesses to develop technologies that are driving cleaner and more efficient energy.

But for all the outstanding examples that I've heard about this week – at SAIT, at NAIT and this morning at the University of Calgary - there's potential to do more.

And this is where we need to see oil and natural gas as the new data. They are the commodities that can fuel all sorts of innovation.

Which is why I wanted to share this message in Calgary. I believe you have a historic opportunity to build a world-leading technology centre here can transform Canada's energy sector and also help the world transition, smartly and sustainably, to a lower-carbon economy.

All of Canada needs to get behind you in expanding the tech ecosystem here in Alberta – building on what you've already created – to help fuel that better, cleaner, more prosperous world.

And that means turning the Bow Valley into a new Silicon Valley.

Energy in the 2030s

If we invest strategically – in tech and the talent that will power it – we have the chance to transform our flagship industry.

Here are some important facts to start with:

- Energy accounts for 10% of our GDP.
- Over the last five years, the sector contributed \$90 billion to government revenues.
- Oil and gas production essentially pays for 10% of our nation's health care costs.

And it can do a lot more.

A new report from RBC Economics estimates that a careful, but ambitious approach to growth in this sector could add another 1.1% to our GDP. That would be like adding an entire auto sector.

Our report estimates that Canadian governments could earn another \$195 billion in revenues between now and 2030, with the right kind of development.

And with more advances in technology, the sector can reasonably reduce the growth of greenhouse gas emissions by a third.

Yet, despite these strengths, we're still a small player in the global energy business, producing just 5% of the world's oil.

Our opportunity is to develop the energy technology and infrastructure that influences the other 95%.

Given what's at stake, this can be part of our national mission.

A technology-led transformation of our energy sector means changing the way we produce, ship and consume traditional energy. And the ultimate goal is gaining an economic and environmental dividend for decades to come.

Of course, the industry is already well on this path. But now it's the responsibility of the rest of the country to provide the support you need to travel even further.

Because while Canada meets global demand for oil and gas, it also must invest in a new kind of energy industry.

Here's why.

By 2030, the world's energy needs will look very different than they do today. While demand for fossil fuels may reach its apex by then, we'll still need new sources of oil and gas – to both maintain our standard of living, and ensure the billions of others gain access to the same level of human development.

And yet people and governments across the world are likely to be even more concerned than they are today about carbon emissions.

Canada's energy story

Over the last decade, the U.S. oil and gas industry has seen a remarkable turnaround as the country became the world's fastest-growing energy exporter.

Our main buyer is now our major competitor, not only because of what they are producing, but also how cheaply they are producing it.

Here in Canada, we've faced significantly more competitiveness challenges, and as a result, our energy sector would be justified for any shortfall in optimism.

- We've sent mixed signals to investors – both foreign and domestic.
- We've thrown up barriers to market access and adoption of new technologies.
- And we continue to impose excessive regulatory complexity on the sector.

Over the past few years, we've been really proud of the way our clients – especially those here in Alberta – answered the call for more sustainable energy development, in very tough economic times – and how you focused on innovative ways to reduce the carbon intensity of Alberta's energy products and showed leadership in socially-responsible production.

We want to continue to help this transformation.

We're clear at RBC about our position on sustainable development.

We believe that climate change is the most pressing issue of our age – driving the economies of countries, affecting migration of people, impacting our food, and contributing to political volatility around the world.

The way we address this and at the same time maintain a fair and level playing field for our energy sector is critical.

On our part, we are committed to helping finance the low-carbon transition.

We view this above all as a business priority and will support all of our clients in this effort through our products, services and advice.

Here's more of what our research shows on how we've evolving as an energy-dependent planet:

Global consumption and Canadian production

A decade from now, as we approach 2030, oil and gas consumption will be 10 percent higher than today.

This remains true no matter what Canada does as a country – and will be driven by Asia's rapidly-developing economies, particularly in India and China.

Oil and other fossil fuels will make up nearly half of the new demand between now and the end of the next decade.

It will also represent three-quarters of global demand overall.

For Canadian oil and gas, this huge growth opportunity is critical.

Our country is unquestionably a global fossil-fuel powerhouse and we are one of a handful of producers capable of meeting this new demand sustainably and responsibly.

Our collective challenge

We also need to appreciate that domestic energy use is reaching a plateau and there are limited opportunities to export coal, nuclear and renewables. So Canada needs to sell more oil and gas if we want to ensure we maintain and grow our share of the global energy market.

But standing in our way are high operating costs, including regulatory and permitting costs, and higher emissions.

Every day, Canada leaves tens of millions of dollars on the table.

- We simply don't derive as much as we should from our resources.
- Our heavier crude is more expensive to extract, transport and refine.
- Most of our resources are landlocked.
- And we've run out of pipeline capacity.

Lastly, while we support the principle of revenue-neutral carbon pricing, we're concerned that too much has floated into general government spending rather than be invested in cleaner and more competitive energy production.

On the emissions challenge, let's also be aware of these facts:

- Canadian oil and gas emissions are on track to rise at least another 15% by 2030 and the sector accounts for about 26% of overall Canadian greenhouse gas emissions.
- Yes, the rest of Canada has an even bigger role in our overall emissions – largely through transportation and buildings – and we need to ensure some of our fiscal resources go toward improving energy efficiency right across the country. That, too, will help make Canada more competitive.
- To ensure Canada's energy industry becomes cleaner, more efficient and more cost-competitive, industry and government must ramp up investments in new and innovative energy technologies. The kind that the rest of the world can adopt, and even buy from us.

Alberta's moment

We know the energy sector and government stakeholders in Alberta are moving in the right direction, looking to derive more royalty money, diversify economically, compete with U.S. exports and reduce emissions.

The Clean Resource Innovation Network put together an impressive proposal for federal support under the new supercluster initiative. It's unfortunate that the proposal didn't get the green light.

But it's equally impressive that with true Alberta resilience the network is pushing ahead. With your natural spirit of entrepreneurship and collaboration, we believe that this will be the catalyst for great things to come.

As a country, we should double down on your efforts for clean resource innovation, and ensure a reasonable share of those growing royalties are invested in new technologies that can make Canada a global leader in sustainable energy, including oil and gas.

How can that money best be invested in the future?

Some inspiration can be found in the incredible work already being done in Alberta – from Suncor's Nsolv pilot project to Exxon's work on water efficiency at Cold Lake, to Shell's and Enhance Energy's carbon capture and storage projects – just to name a few.

These technology-led initiatives need more financial backing – and critically, regulatory support to show the world how they can work at scale. This is why we're making it a business priority to enable clients to secure financing for low carbon projects.

The payoff

There's so much at stake here.

But to ensure our energy industry is in position to profit and meet demand –now and in the future – we need to address those competitiveness and emissions challenges.

At the start, I mentioned four areas which we believe can address those challenges. Here are our suggested approaches to ensure Canada has the energy industry we will need in 2030.

Action needed

1) Smarter regulations

NAFTA – now the USMCA – captured major headlines through most of 2018, but I know a different kind of regulation has dominated the debate here in Alberta: Bill C-69

If the bill is moving forward, as would appear to be the case, it's important for the Federal Government to listen to the serious concerns of the energy sector as it moves to the next stage of crafting regulations.

Among the more critical concerns in our view are clear limits on the number and range of interventions and the considerations for approval for projects.

We would prefer to see Canada move towards a more innovative method as suggested by the Resources of the Future Economic Strategy Table. Their recommendations included an outcomes-based approach and the adoption of Nexus-style permitting that would reward good behavior rather than punish it.

If we can take that approach together, we can win public confidence across the country and investor confidence around the world.

This is action number one.

Because as many in this room know, our regulatory complexity is slowing us down and it's costing us.

A recent C.D. Howe Institute study calculated that policy-induced costs for oil producers are double those faced by their counterparts in Texas and more than triple those in North Dakota and Pennsylvania.

We've got billions of dollars of investment interested in low-carbon Canadian oil and gas projects that are going elsewhere.

When we look at other model economies, like Norway, Australia and the U.K., we see they're all much faster than us to launch projects – with no evidence that they're less responsible to their communities or environment.

As we move forward, we need to focus on a system with reasonable guard-rails on consultations and reviews, which also provides incentives for clean energy innovation.

2) A solid fiscal framework

We need to create a level playing field and a fiscal environment that is competitive on the world stage.

This is the second critical action we need to take.

Alberta has led the world with a meaningful carbon price and a cap on emissions.

As I've said for years, this is very significant and sends a strong signal to the world that we want to lead in clean energy innovation.

We continue to support a coherent approach to pricing carbon.

We're starting to generate significant revenue.

Now we need to ensure a share of this goes to energy innovation.

More transparent and independent use of resources is also critical.

We also support fiscal incentives such as a capital cost allowance for new investments in energy innovation, and tax credits for new investments in start-up firms targeting clean tech.

3) Better market access

The announcement of the \$40 billion LNG complex should be just the beginning of a new chapter of clean and sustainable energy infrastructure projects.

I don't need to tell you that this has been an exception in recent years.

The federal government was bold in its move to acquire the Trans Mountain Project. And we support their ongoing commitment.

But let's be clear: to attract investors back and get our oil and gas to market faster and more efficiently, we need to continue to be bold and push forward on energy infrastructure.

This is the third action that we have to take.

4) Taking action on tech

And finally, it all comes back to technology. How we use our revenues to invest in the next generation of clean energy technology is as important as market access.

We have the institutions in place, but now need to ensure more funding from royalties and carbon levies are reinvested into this work.

I've already outlined some of the innovative new technologies and processes already being piloted here in Alberta.

We need to ask ourselves, how can we be more ambitious in our technology adoption? How can we learn the lessons from Silicon Valley and grow a much bigger innovation ecosystem right here in Calgary?

An ecosystem that encourages energy producers to become early adopters of advanced clean technologies – including both physical infrastructure and digital tools.

Conclusion

Ladies and gentlemen, let me conclude with a simple, yet critical point:

Canadian leaders – both federally and provincially – need to talk up one of our greatest exports and convince the globe that we are open for business.

We need to collectively say to the world, “You need more Canadian energy.”

That means credibly branding Canadian oil and gas on the world stage as an industry with the reserves and capacity to ramp up production, as well as a reputation for strong labour protections and production that is ethical, efficient and sustainable.

We know the majority of Canadians support our oil and gas industry. Now we need to own that – with confidence.

I know we can prosper now and set ourselves up for success in the future.

While it would be easy to sit back and simply reap this windfall of royalties, tax revenue and economic growth, failing to invest strongly in the future would leave Canadians and our energy industry inadequately prepared for what comes next.

We have an extraordinary opportunity to lead the world.

- But if we fail to invest enough in new tech.
- Fail to build badly needed infrastructure.
- Fail to take a pragmatic approach to taxes.
- And fail to overcome regulatory bottlenecks ...

...we'll miss a historic opportunity to lead in the new energy economy.

This is Alberta's chance to position itself as a global leader in the transition to low-carbon energy. And all of Canada needs to get fully behind Alberta.

Make no mistake, it will require significant investment dollars and tech brainpower, but it should be a central part of our national mission.

Because the world needs more Canadian energy.

And all of Canada needs an energy industry that continues to play a leading role on the global stage...

One that helps ensure our country remains strong, prosperous and sustainable for generations to come.

Thank you.